

Link Employee Engagement to Positive Business Outcomes

Build the business case for investments in employee engagement

Engaged employees are associated with a range of positive business outcomes, as demonstrated in APQC's Collaborative Benchmarking study [Rewarding, Engaging, and Retaining Key Talent](#). The best-practice organizations featured in this study—3M, Infosys, and Schlumberger—are able to correlate positive levels of employee engagement with lower turnover and absenteeism, higher productivity, and increased innovation. In doing so, these organizations build the business case for their leaders and employees to continue to support engagement objectives.

There is a large body of external evidence regarding the benefits of an engaged work force. For example, research on the service-profit chain has linked employee satisfaction to customer satisfaction and organizational profitability. Figure 1 illustrates how certain work conditions are associated with higher levels of employee engagement and positive business outcomes. This model was created by Marc Drizin, chief instigator and founder of employee engagement consultancy Employee Hold'em, who served as a subject matter expert on APQC's study. According to Drizin, the positive business outcomes represented in this model include higher levels of return on assets, profitability, and shareholder value.

External research on the link between engaged employees and positive business outcomes, such as that provided by Drizin, is important for securing funding to launch an organization's initial engagement initiative. But to build the business case for continuing investment in engagement initiatives, such as ongoing funding for gathering employee feedback, each organization must also be able to demonstrate the results of its unique engagement efforts.

Employee Hold'em Model of Work Force Engagement

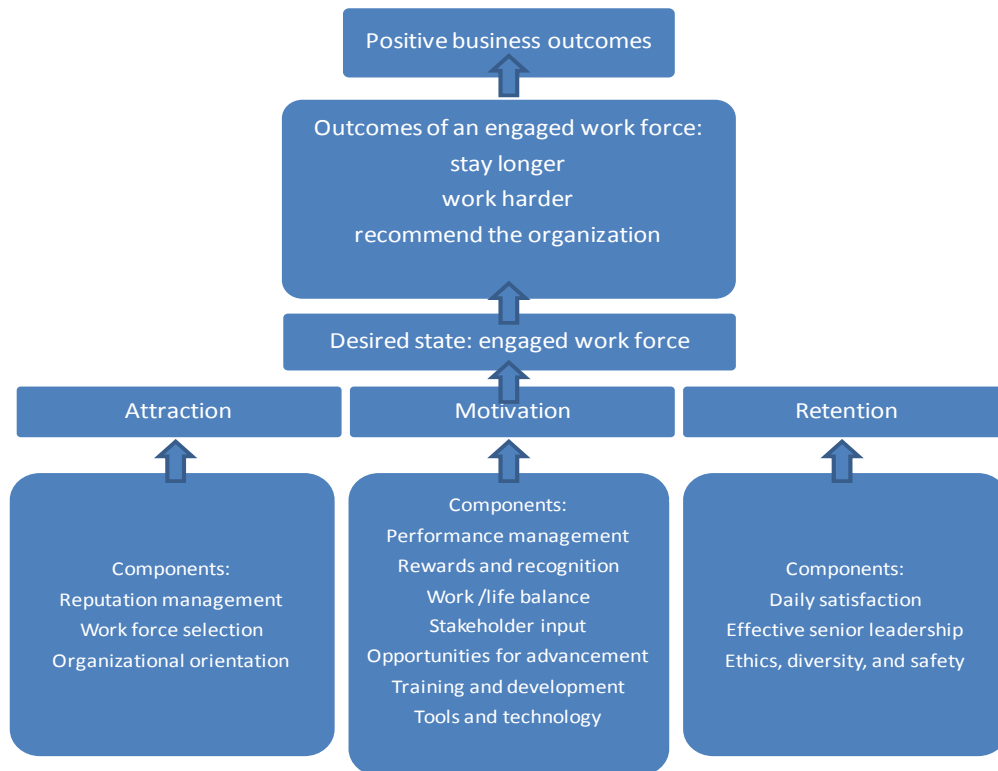


Figure 1

How Best-Practice Organizations Do It

Below are examples of how best-practice organizations 3M, Infosys, and Schlumberger make the connection between having engaged employees and realizing desirable business results.

3M

3M looks for correlations between engagement and business outcomes, most notably innovation. For example, the organization conducted a study among its business laboratories to measure the relationship between engagement and innovation. The business laboratories that had more engaged employees (per results of a worldwide business-unit survey) were more innovative (i.e., produced more products) over a two-year period than business laboratories where employees were less engaged. Since 3M relies heavily on innovation to maintain and increase its profitability, these findings were pertinent. 3M has also been able to correlate higher levels of job satisfaction with lower levels of employee absenteeism.

INFOSYS

Measurement efforts at Infosys have demonstrated a link between employee engagement and customer satisfaction. The organization recently completed an analysis of its customer satisfaction data and is correlating the results with the business units' employee engagement statistics. The organization has already found that the business units with the highest profitability consistently have the most engaged work forces.

SCHLUMBERGER

Schlumberger reviews monthly service quality statistics organized by client, geography, and type of service. Any deterioration in service quality indicators can usually be traced to a drop of management engagement or a drop in employee motivation. Conversely, an increase in quality of service indicates that operations are well-managed and that employees are properly trained, have the right experience level, and are motivated.

Conclusion

Evidence of a general connection between employee engagement and business results is essential to build the initial business case for investing in an engagement strategy. However, an organization must measure its own performance and explicitly link its employee engagement activities to tangible business results if it expects leaders to continue to allocate time and money to ongoing engagement objectives.

At 3M, the initial business case for employee engagement work was provided by a consulting company study, which demonstrated that organizations with higher levels of employee engagement also have higher returns on assets, profitability, and shareholder value. When its engagement work was well underway, 3M began conducting its own correlation studies, such as the engagement-innovation study mentioned earlier.

Karen B. Paul, manager of 3M's HR engagement and measurement center of excellence, notes that, when it comes to assessing the business outcomes of engagement initiatives, qualitative outcomes are just as important as quantitative ones. According to Paul, "Success is when the hallways buzz with energy, when people come to work excited, and when they are proud to be associated with your dynamic organization. Ultimately, the value you create within your organization translates into shareholder wealth."

For more information on best practices for engaging employees at 3M, Infosys, and Schlumberger, see APQC's 2010 report [Rewarding, Engaging, and Retaining Key Talent](#).



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